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SUPREME COURT, U.S.

No. 99-723

IN THE
SUPREME COURT OF THE UNITED STATES

METRO COMMUNICATIONS COMPANY
and PETER SIAVRAKAS,
Petitioners,

v.

AMERITECH CORPORATION, and
AMERITECH MOBILE COMMUNICATIONS, INC.
Respondents.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

BRIEF IN OPPOSITION

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CORPORATE DISCLOSURE STATEMENT OF AMERITECH CORPORATION AND AMERITECH MOBILE COMMUNICATIONS CORPORATION

Pursuant to Rule 29(6) of the Rules of the Supreme Court of the United States, Ameritech Corporation and Ameritech Mobile Communications Corporation, by and through their attorneys, respectfully submit this Corporate Disclosure Statement.

On October 8, 1999, Ameritech Corporation became a wholly-owned subsidiary of SBC Communications Inc.

SBC Communications, Inc. (formerly Southwestern Bell Corporation) is a publicly held corporation with equity and debt in the hands of the general public. The principal directly and indirectly held subsidiaries of SBC Communications Inc. include: Ameritech Corporation ("Ameritech"); Ameritech Mobile Communications; Ameritech Publishing; Pacific Telesis Group; Pacific Bell; Nevada Bell; Southwestern Bell Telephone Company; SBC Wireless, Inc.; Southwestern Bell Yellow Pages, Inc.; Pacific Bell Directory; SBC International, Inc.; Southern New England Telecommunications Corporation ("SNET"); and Southern New England Telephone Company ("SNET Telco"). Southwestern Bell Mobile Systems, Inc. is a subsidiary of SBC Wireless, Inc. Pacific Bell Mobile Services is a subsidiary of Pacific Telesis Group. The subsidiaries of SBC Communications Inc. are principally engaged in the business of providing communications services and products to the general public.

SBC Communications Inc., Southwestern Bell Telephone Company, SBC Communications Capital Corporation each have publicly held debt. The following

Ameritech subsidiaries have issued debt securities to the public: Ameritech Capital Funding Corporation, Illinois Bell Telephone Company, Indiana Bell Telephone Company, Michigan Bell Telephone Company, The Ohio Bell Telephone Company and Wisconsin Bell, Inc. Pacific Bell, Nevada Bell, Southern New England Telecommunications Corporation, and The Southern New England Telephone Company have issued debt securities to the public. In addition, certain indirectly held subsidiaries of SBC Wireless, Inc. have small groups of minority shareholders.

A trust established and funded by Pacific Telesis Group has issue "Trust Originated Preferred Securities" to the public. Pacific Telesis Group has guaranteed the repayment of certain trust originated preferred securities that have been issued to the public, the repayment of which has been guaranteed by SBC and Pacific Telesis Group. Ameritech owns approximately 42% of TeleDanmark, A/S, the stock of which is publicly traded. TeleDanmark owns approximately 19% of Netcom, ASA, which is publicly traded.

Ameritech also owns approximately 50% of an entity that owns approximately 60% of Magyar Tavkozlesi Rt. ("MATAV"), a telecommunications company in Hungary, the stock of which is traded publicly. Ameritech owns all of the common stock of Ameritech Canada, Inc., which is the sole trustee of Ameritech Canada Business Trust, which owns approximately 20% of Bell Canada Holdings, Inc., which owns Bell Canada that has publicly traded debt. Also, Bell Canada owns approximately 21% of Teleglobe, Inc., approximately 41% of Alliant, and approximately 20% of Manitoba Telephone, which have issued shares to the public.

No other affiliates of SBC Communications Inc. have outstanding debt or equity securities that are publicly held.

QUESTIONS PRESENTED

1. Whether the "nominal fair use" defense may be applied in this case.

2. Whether this case raises any questions concerning the application of "principles of equity" to the provision of remedies under the Lanham Act.

3. Whether the district court and circuit court properly decided all issues of liability and damages.

4. Whether this case presents a basis for this court to exercise its error-correcting function.

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JURISDICTION

Rule 10 of the Rules of the Supreme Court of the United States provides that this Court may grant a petition for certiorari only for compelling reasons. According to Rule 10, compelling reasons can be found, among other things, if the decision leading to the petition: contributes to a conflict of authority between the courts of appeal and/or state courts of last resort; reflects a departure from the usual course of judicial proceedings; presents an important question of federal law that has not been but should be settled by this Court.

Petitioners have not set forth an adequate basis to justify the exercise of this Court's discretionary jurisdiction. They do not and cannot contend that the decisions in the lower courts here have created a split of authority among the federal courts or between the federal and state courts. Instead, Petitioners attempt to invoke this Court's authority by asking it to correct errors supposedly committed in the lower courts and to address a question about the applicability of the "nominative fair use" defense in certain trademark infringement cases. For the reasons explained below, there were no errors in the lower courts, and the "nominative fair use" defense is completely inapplicable here.

STATEMENT OF THE CASE

Petitioners' Statement of the Case includes numerous misstatements of fact. Respondents offer the following as a correct account of the facts in this case.

A. The Agency Agreement.

The district court found that Respondent Ameritech Corporation ("Ameritech") is involved in the

telecommunications industry and that Respondent Ameritech Mobile Communications, Inc. ("AMCI") is one of its subsidiaries that manages the delivery of cellular radio services ("CRS") to the customers of various Ameritech-affiliated entities that are licensed to provide CRS. Appendix D to Petition at 26a.

The district court also found that Metro Communications Company ("Metro") entered into a five-year Agency Agreement (the "Agreement") with Detroit SMSA Limited Partnership ("SMSA"), an Ameritech-affiliated entity, in 1988. *Id.* AMCI signed the Agreement on behalf of SMSA. *Id.* The Agreement expired by its terms on December 31, 1993, and it authorized Metro to solicit subscribers for SMSA's CRS. *Id.* The Agreement expressly provided that Metro had the right to use Ameritech's name and trademarks only during the term of the agency and only "for the purpose of identifying [Ameritech] CRS marketed by [Metro]." Agency Agreement, ¶ 8 *quoted in* Appendix D to Petition at 27a. The Agreement unequivocally established that, after termination, Metro was not authorized to do anything suggesting that it could act as AMCI's agent or that it was, in any way, affiliated with AMCI. Thus, the termination provisions of the Agreement provided that, after termination, Metro would not

> "utilize for any purpose any trademark, trade name, service mark, service name, or other commercial symbol that **suggests or indicates a connection or association with Ameritech Mobile or any affiliated company of Ameritech Mobile**; or **directly or indirectly at any time or in any manner identify itself or any business as associated with**

Ameritech Mobile or such affiliated company in the Area."

Agency Agreement, ¶ 11 (emphasis added) *quoted in* Appendix D to Petition at 27a.

B. Termination of the Agency.

Because it concluded that Metro had not substantially complied with the terms of the Agreement,[1] AMCI allowed the Agreement to expire by its terms. On December 31, 1993, AMCI gave Metro written notice that Metro could no longer serve or hold itself out as AMCI's agent. Letter of December 31, 1993, Appendix L to Petition. In this notice, AMCI specifically directed Metro to cease any further activity as an AMCI agent and to refer all subsequent customer inquiries directly to Ameritech. *Id.* Finally, it reminded Metro of its continuing duties of loyalty to AMCI. *Id.*

C. Metro's Activity as a "Sub-Agent" for AMCI.

Notwithstanding AMCI's instructions in its letter of December 31, 1993 and notwithstanding the Agreement's prohibition against "directly or indirectly, at any time or in

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[1] A Michigan trial court also reached this conclusion. Shortly before the scheduled expiration of the agreement, Metro began an action in the Circuit Court for Oakland County, Michigan, seeking, among other things, an order compelling AMCI to extend the Agreement for an additional year. That court granted Ameritech's motion for summary disposition, holding that Metro had failed to substantially comply with the Agreement. The Michigan Court of Appeals affirmed this ruling. *Metro Communications Co. v. Detroit SMSA Limited Partnership*, No. 171104 (Mich. App. Feb. 20, 1996).

any manner, identify[ing] itself" as associated with AMCI, Metro continued to sell AMCI services by acting as a "sub-agent" for authorized agents of AMCI. Petition at 3. The district court found that, according to AMCI's policies, such sub-agencies were only allowed when an agent had express written consent from AMCI to create them. Appendix D to Petition at 27a. Metro entered into a sub-agency agreement with Dreisbach & Sons, Inc. ("Dreisbach"), an automobile dealer, without such written consent from AMCI. *Id.* at 27a-28a. Under this agreement, Metro would sell cellular service contracts on Dreisbach's behalf and receive a portion of the commission paid by Ameritech to Dreisbach. *See id.*

In soliciting business as a "sub-agent," Metro used promotional materials that identified the cellular service by the name "Ameritech." *Id.* at 28a. More importantly, it used service order forms, price schedules and cellular service maps, all containing Ameritech marks. *Id.* Metro could not have operated its "sub-agency" without using these forms, schedules and maps because they are essential in identifying and ordering the service that customers would buy. Even though Metro's sales staff was instructed to inform customers that Metro was not an authorized agent, *id.*, inherent in the use of these materials was the suggestion to customers that Metro was associated or affiliated with AMCI or Ameritech in some way.

D. Lower Court Proceedings.

In 1994, Respondents filed a complaint in the United States District Court for the Eastern District of Michigan, alleging, among other things, that Petitioners were liable for trademark infringement and unfair competition because of their activities in conducting the "sub-agencies" after the expiration of the Agency Agreement. Respondents claimed

injunctive relief and damages. In 1995, Respondents moved for summary judgment and for issuance of an injunction barring Metro from continuing its sub-agencies. The district court ruled that Metro was liable as Respondents had alleged and enjoined Metro from doing anything in connection with the sale of AMCI's service. In 1996, the district court issued an opinion determining the damages to which Respondents were entitled. In September 1997, the district court entered its final judgment, which included an award of attorneys' fees to Respondents. After oral argument, the United States Court of Appeals for the Sixth Circuit affirmed the judgment of the district court in July 1999.

ARGUMENT

I. The "Nominal Fair Use" Defense Has No Application in This Case.

Petitioners argue that this Court should take jurisdiction of this case so that it can consider the application of the "nominative fair use" defense described by the United States Court of Appeals for the Ninth Circuit in *New Kids on the Block v. News America Pub., Inc.*, 971 F.2d 302 (9th Cir. 1992). This argument is unavailing, however, because the "nominative fair use defense cannot apply to this case. The doctrine defining that defense, which is derived from the text of the Lanham Act, provides that it is fair use for one party to use the trademark of another when such use merely describes a product or service and does not create any risk of confusion about the relationship between the user and the trademark owner. Here, as the lower courts concluded, Petitioners used Respondents marks in a way that suggested that they were the agents of, or were affiliated with, Respondents. Such deceptive use is not fair use, and,

therefore, Petitioners have not identified a viable legal issue that this Court could consider.

As its name suggests, the "nominative fair use" defense is an aspect of fair use doctrine in trademark law. Fair use defenses generally purport to allow persons to create new ideas, products or services by making incremental use of trademarks owned by others. *New Kids*, 971 F.2d at 307 n.6. Thus, a fair use does not suggest a connection between the user and the trademark owner. *New Kids*, 971 F.2d at 308; *see also Volkswagenwerk Aktiengesellschaft v. Tatum*, 344 F. Supp. 235, 237 (S.D. Fla. 1972) (holding that trademark infringement arises from a trademark user's false suggestion of an affiliation between itself and the trademark owner). Similarly, a fair user is not one who free-rides on the trademark of another. *New Kids*, 971 F.2d at 307-08 n.6.

In some situations, the only meaningful description of a product or service may be or include a trademark, and "it is often virtually impossible to refer to a particular product for purposes of comparison, criticism, point of reference, or any other such purpose without using the mark." *New Kids*, 971 F.2d at 306. For example, an automobile repair shop that specialized in Volkswagens could hardly avoid using the name "Volkswagen" in the description of its own services, even though its services were obviously different than those provided in association with the trademark and there was no suggestion of an affiliation between the repair shop and the manufacturer. *See Volkswagenwerk Aktiengesellschaft v. Church*, 411 F.2d 350 (9th Cir. 1969). In such situations, a party makes a fair use of another's trademark when using the mark to describe or name its own unique product or service. *New Kids*, 971 F.2d at 307. This use is a "nominative fair use."

A user is entitled to assert a "nominative fair use" defense when it uses a trademark to describe the trademark owner's product rather than its own product and when: (1) the product or service in question cannot be readily identified without use of the trademark; (2) the use is only as extensive as is reasonably necessary to identify the product or service; and (3) the user does nothing that would, in conjunction with the mark, suggest sponsorship or approval by the trademark owner. *New Kids*, 971 F.2d at 308.

The "nominative fair use" defense discussed in *New Kids on the Block* is a specific version of the statutory fair use defense codified in the Lanham Act, and the thee-part test for asserting the "nominative fair use" defense parallels a test for asserting the statutory defense. The Lanham Act defines a "fair use" as a descriptive use of another's trademark if such use is fair and in good faith. 15 U.S.C. § 1115(b)(4). In general, courts will find that a trademark user is entitled to assert such a defense if the use was: (1) in a non-trademark sense; (2) fair and in good faith; (3) limited to a description of the user's own goods or services. *Seaboard Seed Co. v. Bemis Co.*, 632 F. Supp. 1133 (N.D. Ill. 1986); 2 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, § 11:49 (4th ed.). If the use of the mark constitutes an intentional breach of an agreement not to use the mark, there can be no finding of good faith. *Institute for Scientific Information, Inc. v. Gordon & Breach, Science Pub., Inc.*, 931 F.2d 1002, 1008-1010 (3rd Cir.), *cert. denied*, 501 U.S. 909 (1991). Thus, the "nominative fair use" defense is not, as Petitioners suggest, a novelty of Ninth Circuit law that may be extended to other jurisdictions; it is an instance of a well-established rule that is uniformly interpreted throughout the United States.

In this case, Metro completely fails to meet the requirements of the test for applying the "nominative fair use" defense. Indeed, its petition presents no argument that refers specifically to the elements of the test. Metro merely invokes the defense and makes a conclusory assertion of its applicability here. Even the most superficial examination of the facts of this case reveals that Metro is not entitled to assert this defense. Most importantly, Metro's use of Ameritech's trademarks clearly suggested that Ameritech sponsored or endorsed Metro. To be sure, Metro notes that it instructed its sales representatives to inform customers that Metro was not an authorized agent of AMCI, but the presence of Ameritech's marks on sales materials and on the service order forms used by Metro created the obvious implication that Metro had some kind of agency relationship or affiliation with Ameritech. Because agency is an even closer relationship than mere sponsorship or endorsement, Metro cannot satisfy the third element of the test for applying the "nominative fair use" defense.

Neither can Metro satisfy the second element of that test. Metro's use of Ameritech's marks was not the kind of minimal use for identification purposes that the test requires. Metro was not merely identifying Ameritech's service in the course of offering its own distinct and independent service; the service that Metro offered to its customers included a grant of access to Ameritech's service. As noted above, Metro's use connoted a special relationship between Metro and Ameritech, and, therefore, that use was not merely descriptive.

Metro's failure to satisfy the elements of the test illustrates the vacuity of its attempt to show that this case involves a significant question of law. Metro argues that this case provides an opportunity to adapt the "first sale doctrine"

of trademark law to the resale of services. Specifically, Metro suggests that the "nominative fair use" defense is the instrument for that adaptation. In fact, it is not because the resale of services is completely inconsistent with the concept of "nominative fair use." If a party wishes to sell the services of another, it must be the agent of the service provider; a seller cannot promise the services of another without having a grant of authority to act on the service provider's behalf. Thus, a seller of services implies an agency relationship between itself and the service provider, and the same is true for a "re-seller" of services. When a party uses a trademark while it implies that it has an agency relationship with the trademark owner, its use is anything but nominative. When such use occurs despite the fact that no agency relationship exists, the user engages in precisely the kind of free-riding that trademark law is designed to prevent. *See New Kids*, 971 F.2d 307-08 n.6. Indeed, such use is more analogous to pirating, which is obviously prohibited by trademark and unfair competition law. *See Entertainment & Sports Programming Network, Inc. v. Edinburg Community Hotel, Inc.*, 623 F. Supp. 647 (S.D. Tex. 1985) (finding that a hotel owner engaged in trademark infringement and unfair competition when it rebroadcast the programming of two television networks, which contained the trademarks of those networks, and that such rebroadcast falsely implied that "Defendant was authorized to receive and provide Plaintiffs' services to their own customers").

In light of these reasons, there is no viable question of law in this case regarding the extension of the "nominative fair use" doctrine to the "resale" of services, and this Court should deny the petition for a writ of certiorari.

II. This Case Does Not Raise Any Questions Concerning the Application of "Principles of Equity" to the Provision of Remedies under the Lanham Act.

Without citing any authority,[2] Metro argues that this case provides this Court with an opportunity to elucidate the "principles of equity" that should guide the award of remedies under the Lanham Act. Specifically, Metro contends that, in considering the propriety of relief for Respondents, the lower courts improperly overlooked the fact that Respondents benefitted from Metro's unauthorized sub-agencies. Metro's argument on this point is defective in two respects: (1) it fails to provide any meaningful explanation of how these equitable principles should apply in this case or why they require explication, and (2) it ignores Metro's own improper conduct which undermines its claim for equity.

Metro's cursory argument provides no intelligible basis on which this Court could determine why these equitable principles require explication or whether this case presents issues that would aid in such explication. In effect, Metro argues that there was something unfair about the lower court's rulings and that this Court should therefore take jurisdiction of the case. Even if this argument were well-grounded, it hardly amounts to a statement of "compelling reasons" that are a prerequisite for issuance of a writ of certiorari. *See* S. Ct. Rule 10.

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[2] The only citation in Metro's second argument apparently refers to *Prestonettes, Inc. v. Coty*, 264 U.S. 359 (1924). That case does not discuss any of the "principles of equity relevant to the Lanham Act.

Of course, Metro's invocation of equity is not well-grounded. Metro's own conduct in this case gives it "unclean hands," which disqualify it from seeking any consideration from this Court or any other on the basis of equity. *See McKennon v. Nashville Banner Pub. Co.*, 513 U.S. 352, 360 (1995). Metro's contract with AMCI specifically provided that, after its termination, Metro could not suggest or indicate that it had:

> **a connection or association with Ameritech Mobile or any affiliated company of Ameritech Mobile**; or directly or indirectly at any time or in any manner identify itself or any business as associated with Ameritech Mobile or such affiliated company in the Area.

Agency Agreement, ¶ 11 (emphasis added) *quoted in* Appendix D to Petition at 27a. Even if Metro had been uniformly scrupulous about informing customers that it was no longer an authorized agent, it still violated this provision of the Agreement by using service order forms and solicitation materials with Ameritech's trademarks. Such conduct by Metro was so extensive that it could only have been deliberate and reflects bad faith towards Metro's obligations under the Agency Agreement. *See Institute for Scientific Information, supra*. Equity is not an instrument to reward such bad faith.

III. The District Court and Circuit Court Properly Decided All Issues of Liability and Damages.

In another conclusory argument lacking any citation to legal authority or the record, Metro maintains that the lower courts erred in ruling that there were no issues of material fact

with regard to likelihood of confusion and that there were no permissible deductions from damages. These arguments are also unfounded and do not provide a basis for granting the petition.

First, Metro's argument regarding the rulings on likelihood of confusion omits important facts and mischaracterizes the lower courts' decision-making process. The district court concluded that there was no dispute of material fact regarding likelihood of confusion when it granted summary judgment on Respondents' claim for an injunction to prevent Metro from continuing to act as a "sub-agent" of AMCI. By the time the district court made this ruling, AMCI had long since ceased identifying Metro as an authorized agent. Thus, the issue before the district court was whether Metro's activity as a sub-agent would, from that point forward, cause a likelihood of confusion. Appendix E to Petition at 36a. There was no error by the district court in its ruling on this issue, or by the circuit court in affirming that ruling.

Second, Metro's argument regarding deductions from damages lacks any legal foundation. As the district court noted in its opinion on damages, the burden for apportioning profits is placed upon defendants in trademark infringement actions. Appendix C to Petition at 11a (citing *Wynn Oil Co. v. American Way Serv. Corp.*, 943 F.2d 595, 606 (6th Cir. 1991)). Although it submitted financial statements that were "unchallenged" (Petition at 13), Metro still did not carry its burden because its statements were simply incredible. Even Metro's own accountant would not vouch for the accuracy of these statements in terms of generally accepted accounting principles. Appendix C to Petition at 13a. And, in those statements, Metro included deductions that were not permitted by law, such as fixed costs and attorneys' fees. *Id.* (citing

cases). These documents required no challenges; they refuted themselves. The district court certainly did not err by disregarding these financial statements in its calculation of damages.

IV. This Case Presents No Basis for This Court to Exercise Its Error-Correcting Function Because the Lower Courts Here Did Not Err.

Metro concludes with a kind of catch-all argument, contending that the proceedings in the lower courts were so infected with error that this Court should take jurisdiction of the case solely for the purpose of correcting those errors. As the arguments above have shown, there were no errors in the lower courts. Consequently, this argument is without merit.

CONCLUSION

In presenting its arguments in favor of a writ of certiorari, Metro does not deny that it acted as a sub-agent for AMCI and used Ameritech's trademarks without authority. Its arguments all ultimately depend upon the assertion that this was a lawful course of conduct, and they ask this Court to take jurisdiction of this case to put that assertion into law. If Metro is to obtain the ultimate result that it seeks here, this Court would have to rule that it is lawful for one party to force itself on another as an agent and to use the trademarks of the other party without permission. This would, of course, be an absurd result, and the patent absurdity of Metro's arguments make it unnecessary for this Court to assert its discretionary jurisdiction. This Court should deny the petition for a writ of certiorari.

Respectfully submitted,

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